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**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION**

**In re:**

**PG&E CORPORATION,**

**- and -**

**PACIFIC GAS AND ELECTRIC  
COMPANY,**

**Debtors.**

- ☐ Affects PG&E Corporation  
☐ Affects Pacific Gas and Electric Company  
☒ Affects both Debtors

*\* ALL PAPERS SHALL BE FILED IN THE  
LEAD CASE, NO. 19-30088 (DM).*

Case Nos. 19-30088 (DM) (Lead Case)  
(Jointly Administered)

**DECLARATION OF MICHAEL A. KEABLE  
IN SUPPORT OF THE REORGANIZED  
DEBTORS' MOTION TO APPROVE  
SECURITIES ADR AND RELATED  
PROCEDURES FOR RESOLVING  
SUBORDINATED SECURITIES CLAIMS**

1 I, Michael A. Keable, pursuant to section 1746 of title 28 of the United States Code, hereby  
2 declare under penalty of perjury that the following is true and correct to the best of my knowledge,  
3 information, and belief:

4 **I. QUALIFICATIONS**

5 1. I am an Executive Vice President of Compass Lexecon, an economics consulting firm  
6 specializing in the application of economics to a variety of legal and regulatory matters. Among the  
7 staff and professional affiliates of Compass Lexecon are several prominent academics and a group of  
8 full time economists, accountants, computer programmers, and research assistants.

9 2. I have been employed by Compass Lexecon for over thirty years and have specialized  
10 in the areas of securities markets, damages, corporate finance, and financial statement analysis,  
11 primarily in the context of securities litigation. I have worked on hundreds of matters involving market  
12 efficiency, materiality, loss causation, and damages. My responsibilities have included designing,  
13 performing, and supervising economic studies of various issues. I have served as a consulting and/or  
14 testifying expert on economic issues for, among others, the United States Department of Justice, the  
15 United States Internal Revenue Service, and the United States Securities and Exchange Commission.

16 3. I am a member of the American Economic Association and the American Finance  
17 Association. I received a B.A. in History from The University of Chicago and an M.B.A with  
18 concentrations in Finance and Business Policy from The University of Chicago Graduate School of  
19 Business. My curriculum vitae, which lists my prior testimony and publications, is attached as  
20 Appendix A.

21 4. I submit this declaration in support of the *Reorganized Debtors' Motion to Approve*  
22 *Securities ADR and Related Procedures for Resolving Subordinated Securities Claims*. The matters  
23 stated herein are based upon my personal knowledge, information provided by counsel, my discussions  
24 with other Compass Lexecon professionals, and my review of relevant information and documents. If  
25 called upon, I would testify to the facts set forth in this declaration.

26 **II. ASSIGNMENT**

27 5. Compass Lexecon and I have been asked by counsel for PG&E Corporation ("PG&E")  
28 and Pacific Gas and Electric Company (the "Utility" and, collectively, the "Debtors" or "Reorganized

**Debtors,”** as applicable) to provide support to counsel in connection with their providing legal advice to the Reorganized Debtors concerning the proofs of claim filed by certain claimants alleging claims for rescission or damage under federal securities laws based on purchases of (i) PG&E common stock (“Equity”) and (ii) publicly-traded senior notes issued after April 29, 2015 (“Debt,” collectively, the “Securities”), in each case purchased during the period from April 29, 2015 through November 15, 2018 (the “Purchase Period”). As part of this work, Compass Lexecon has reviewed a sampling of more than 2,300 proofs of claim filed by claimants purporting to assert rescission or damage claims for Securities purchased in the Purchase Period.

6. Compass Lexecon has been asked to set forth in this declaration our observations regarding whether the trading information supplied in these proof of claim forms (“Claim Forms”) is sufficient to allow for the calculations of amounts plaintiffs commonly assert in securities litigation as follows (“Aggregate Loss”):<sup>1</sup>

- A. **Equity Security Aggregate Loss** under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder incorporating, among other things, our understanding of the statutory limitation on this measure under the Private Securities Litigation Reform Act of 1995, which examines sales of common stock in the 90-day period following the end of the relevant purchase period; and
- B. **Debt Securities Aggregate Loss** based on our understanding of the statutory calculation set forth in Section 11 of the Securities Act of 1933, which damage calculation incorporates debt securities transactions after the relevant purchase period.<sup>2</sup>

Aggregate Loss establishes the outer bound of potential damages a claimant may seek to recover, which must then be analyzed for a range of factors to determine what, if any of it, is actually recoverable under applicable law. In preparing this declaration, I have been assisted by Compass Lexecon’s professional staff and have relied on Claim Forms and information supplied by counsel.

7. Based on Compass Lexecon’s preliminary review of a sampling of over 2,300 submitted Claim Forms, the trading data provided by the substantial majority of claimants are insufficient to

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<sup>1</sup> Compass Lexecon does not endorse the analytical results of these calculations as appropriate estimates of claimants’ actual losses, if any, attributable to alleged misstatements.

<sup>2</sup> I understand that, among other things, the statutory calculation compares the purchase price to the price at the time the security is disposed of before judgment.

1 reliably estimate the claimants' Aggregate Loss. Many claimants did not provide the specific  
2 information requested by the Claim Form. However, even if every claimant had provided all  
3 information requested by the Claims Form, additional information would be needed to determine the  
4 claimants' Aggregate Loss.

### 5 **III. PRELIMINARY REVIEW**

6 8. The information presented below is based on Compass Lexecon's review of over 2,300  
7 unique Claim Forms, all of which provide at least some of the requested transactions data. I understand  
8 that at least 500 Claim Forms involving the Securities, which were not provided to Compass Lexecon,  
9 did not contain any of the purchase and sale transaction data as required in the Court-approved Claim  
10 Forms.

11 9. Our review focused on the Claim Forms that provided transaction-level data in  
12 computer-readable formats (e.g., Excel spreadsheets, PDFs that were laid out well and could be scanned  
13 into a spreadsheet, etc.), regardless of whether the Claim asserted a specific amount of damages  
14 ("Liquidated Claims") or not ("Unliquidated Claims"). Compass Lexecon also obtained Claim Form  
15 data that were manually entered. Approximately 44% of the Claim Forms examined by Compass  
16 Lexecon asserted Liquidated Claims, which range from relatively modest figures, e.g., under \$100, to  
17 hundreds of millions of dollars.

18 10. Based on Compass Lexecon's preliminary review of a sampling of more than 2,300  
19 Claims Forms, I make the following observations regarding the insufficiency, for purposes of reliable  
20 loss calculations, of the trading information provided with submitted Claim Forms.

### 21 **IV. ISSUES IN SUBMITTED CLAIMS FORMS THAT PREVENT RELIABLE** 22 **AGGREGATE LOSS CALCULATIONS**

23 11. *Debt Claim Information Following Purchase Period.* First, in the substantial majority  
24 of the Claim Forms reviewed that included purchases of Debt Securities, the submitted Claim Forms  
25 do not provide the data required to calculate Aggregate Loss for the Debt claims. I understand that the  
26 statutory loss formula for the Debt claims relies on transactions through final judgment in securities  
27 litigation. Thus, while a claimant may have submitted a Debt claim, if that claimant was fully  
28 compensated in the chapter 11 cases, for example, the claimant would not have incurred any

1 recoverable loss under the statute. Because approximately 70% of the Debt claims Compass Lexecon  
2 has analyzed appear to have continued to hold debt securities on November 15, 2018 – the last day of  
3 the Purchase Period – assessing statutory damages requires additional trading data to show when, if at  
4 all, those positions were liquidated. Consequently, absent that trading data, there is not sufficient  
5 information to calculate Aggregate Loss for a substantial majority of Debt claimants.

6 12. ***Equity Sales Information for 90-Days Following Purchase Period.*** Second, there is  
7 insufficient data to reliably calculate Aggregate Loss for a substantial portion of the Equity claims  
8 Compass Lexecon examined. I understand that the statutory damages formula for the Equity claims  
9 incorporates sales in the 90-day period after November 15, 2018. Specifically, I understand that losses  
10 may be mitigated depending on the prices of the stock during this 90-day period relative to the purchase  
11 price, and the amount of such mitigation depends on the date a share is sold during that period. Of the  
12 2,300 Claim Forms Compass Lexecon examined, approximately 1,400 report purchases of common  
13 stock for a single claimant ***and*** provide holdings balances. Of those, more than half, i.e., more than  
14 700, report Equity holdings on November 15, 2018 but did not provide transactions data during the  
15 subsequent 90-day period. Consequently, without transactions data from that subsequent 90-day period,  
16 Aggregate Loss cannot be reliably calculated for those Equity claims.

17 13. ***Beginning Holdings Information.*** Third, at least 250 Claim Forms we reviewed do not  
18 contain the beginning holdings as of April 29, 2015 and/or the ending holdings as of November 15,  
19 2018, both of which were supposed to be provided in the Claim Forms. The calculations of Aggregate  
20 Loss require matching sales to purchases. Therefore, the absence of beginning and ending securities  
21 balances may make it impossible to match a sale to the appropriate purchase to reliably determine  
22 Aggregate Loss. In addition, it is typical to use beginning and ending balances to verify whether the  
23 data provided by a claimant are complete and accurate; if the beginning balance plus the net  
24 transactions does not equal the ending balance, the transaction and/or balance data are either incomplete,  
25 inaccurate, or both.

26 14. ***Indecipherable Transaction Data.*** Finally, the transactions identified in a number of  
27 Claim Forms are difficult to decipher because they are provided in dozens of different formats. For  
28 example, in some Claim Forms the transaction types for common stock are not defined so Compass

1 Lexecon cannot reliably determine whether the transaction is a purchase or a sale. Further, for certain  
2 Debt and Equity claims, Compass Lexecon cannot reliably determine whether a transfer of securities  
3 was between two related accounts which may not constitute an economic purchase or sale (i.e., the  
4 transaction is equivalent to moving cash from one pants pocket to another). Having a complete set of  
5 transactions and balances produced in the same format with, among other things, easily identifiable  
6 purchases and sales, would substantially enhance the ability to accurately calculate potential losses.

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Compass Lexecon  
332 South Michigan Ave., Suite 1300  
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1 Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury, that the foregoing is true  
2 and correct to the best of my knowledge, information, and belief. Executed on September 1, 2020, in  
3 Chicago, Illinois.

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Michael A. Keable